

Welfare Reform Update

December 2002

TIMING OUT: CALWORKS RECIPIENTS FACE THE STATE'S FIVE-YEAR TIME LIMIT

Federal and state welfare laws enacted in 1996 and 1997 imposed five-year time limits on receipt of cash assistance. Adult recipients will begin reaching the California Work Opportunity and Responsibility to Kids (CalWORKs) lifetime limit on January 1, 2003. This *Update* finds that:

- County data suggest that fewer than 50,000 recipients are likely to reach the state time limit, or "time out," in January 2003, less than half the Department of Social Services (DSS) estimate of 106,258 recipients.
- County data indicate that substantially *more* adult recipients are likely to time out between February and June 2003 than the DSS estimate of 10,313 recipients.
- Working adults, adults who speak a primary language other than English, and adults in two-parent families are likely to make up a disproportionate share of those who will reach the state time limit in January 2003.
- Several of the county welfare departments surveyed have had difficulty providing timely and complete notices to adults who may time out in January, particularly participants who have received child support payments. This problem developed primarily because the DSS did not make key decisions and counties did not collect data in a timely manner.

INTRODUCTION

In 1996, the federal government restructured the nation's safety net for poor families, replacing the Aid to Families with Dependent Children (AFDC) program with the Temporary Assistance for Needy Families (TANF) block grant. In a major departure from prior policy, the new welfare law imposed a five-year lifetime limit on receipt of federally funded cash assistance.¹ In response to the 1996 federal changes, California enacted the California Work Opportunity and Responsibility to Kids (CalWORKs) program in 1997, which also limits recipients to 60 cumulative months of cash assistance. However, in contrast to the federal law, the CalWORKs time limit applies only to adults; children will continue to receive state-funded cash assistance as long as the family meets eligibility guidelines. In addition, state law provides a number of exemptions and exceptions that allow certain recipients to receive aid beyond 60 months.

The first group of recipients will reach the CalWORKs five-year limit on January 1, 2003. More adults will time out throughout 2003 and beyond. Tens of thousands of adults, many of whom are working and fulfilling the state's participation requirements, will lose CalWORKs cash assistance, an important source of financial support for their families.

This *Update* examines how many CalWORKs recipients may reach the state time limit between January and June 2003, evaluates key characteristics of those who may time out, explains how time limits will work, explores how counties are preparing for time limits, and summarizes how former recipients have fared in states where time limits have already taken effect. The *Update* concludes by making several policy recommendations.

HOW MANY CALWORKS PARTICIPANTS WILL TIME OUT IN 2003?

The number of adults who will time out in 2003 is uncertain because state and county estimates differ significantly. In the most recent state estimate available, the DSS projected that 116,571 adults would reach the CalWORKs time limit between January and June 2003. Of this total, 106,258 adults are estimated to reach the time limit in January, while 10,313 are estimated to time out between February and June.² The Governor's May Revision to the proposed 2002-03 Budget estimated that state CalWORKs expenditures for cash aid, employment services, and child care subsidies would be reduced by \$214.5 million between January and June 2003 due to adults reaching the state time limit.³

In contrast, county data suggest that fewer adults will time out in January than the state estimates. Based on data provided by county officials, 36,173 adult recipients in 12 counties that have more than three-quarters of the state caseload may reach the time limit in January 2003. Nearly 20,000 are in Los Angeles County alone (Table 1).⁴ If these estimates were representative of the proportion of adults who may time out in other counties, approximately 46,000 adults would be expected to reach the time limit across the state in January, less than half the DSS estimate. Even though this estimate relies on data from only 12 counties, 97.1 percent of adults in the state's other 46 counties would have to time out in January in order to reach the DSS estimate of 106,258.⁵ Moreover, even the estimate of 46,000 may be overstated, because urban counties are disproportionately represented among those that provided data.⁶ As shown in Table 1, a larger proportion of adults are likely to time out in urban counties, such as Los Angeles, San Francisco, and Santa Clara Counties, than in rural counties with major metropolitan centers, such as Kern and San Joaquin Counties.⁷ Thus, it is probable that the number of adults who will reach the time limit across the state in January 2003 may be somewhat lower than 46,000.⁸

However, county estimates also suggest that *more* adults may time out between February and June 2003 than the state projects. According to data provided by county officials, 18,518 adult recipients in six counties surveyed may reach the lifetime limit between February and June 2003, with 12,000 expected to reach the time limit in Los Angeles County alone.⁹ This suggests that substantially more recipients than the DSS estimate of 10,313 are likely to time out statewide between February and June 2003. In

Table 1: County Estimates Of Adults Who May Reach The State Time Limit In January 2003

<u>County</u>	<u>Adults Who May Reach Time Limit</u>	<u>Adults Receiving Cash Assistance</u>	<u>Percentage Of Adults Who May Reach Time Limit</u>
Alameda	1,661	11,470	14.5%
Kern	491	11,090	4.4%
Los Angeles	19,940	116,951	17.0%
Orange	2,129	12,682	16.8%
Riverside	262	12,102	2.2%
Sacramento	4,743	26,199	18.1%
San Bernardino	2,200	24,807	8.9%
San Diego	1,526	15,831	9.6%
San Francisco	787	4,382	18.0%
San Joaquin	531	8,498	6.2%
Santa Clara	1,322	8,677	15.2%
Tulare	581	8,474	6.9%
Total	36,173	261,163	13.9%

Note: County estimates of the number of adults who may time out in January 2003 were made between March and October 2002. Data provided by San Bernardino and Tulare Counties represent cases rather than adults. These counties did not indicate the number of adults who may reach the time limit.
Source: Department of Social Services and county welfare department data

short, relative to state estimates, county data suggest that fewer adults will time out in January, while more adults will reach the lifetime limit between February and June.

Table 1 shows that the proportion of recipients who are expected to reach the state time limit is higher in some counties than in others. In four counties, more than one in six adults are estimated to time out in January 2003. However, fewer than one in ten adults are estimated to reach the time limit in January 2003 in six counties. For example, Sacramento County estimates that 4,743 adults will time out, equal to 18.1 percent of its June 2002 adult caseload. In contrast, Riverside County projects that just 262 adult recipients will reach the state time limit, equal to 2.2 percent of its June 2002 adult caseload.

Riverside County's projection is by far the lowest among the counties that provided data. About eight times as many adults in Orange County will reach the time limit in January as in Riverside County, despite the fact that these counties have a similar number of adult recipients. This variation may be partly due to the fact that two-parent cases make up a larger proportion of the caseload in Orange County (14.6 percent) than in Riverside County (5.9 percent) since adults in two-parent families are more likely than other adults to time out in January (discussed below). In fact, 69.0 percent of adults who are estimated to reach the time limit in Orange County are in two-parent families, while only 1.5 percent of cases with an adult expected to time out in Riverside County are two-parent families.¹⁰

The impact on the CalWORKs program budget of fewer adults timing out than the state estimates is unclear.¹¹ If the state does not realize all of the CalWORKs-related savings assumed in the 2002-03 Budget, it may need to increase General Fund support for CalWORKs or reduce spending in other parts of the CalWORKs program to offset higher costs related to cash grants, employment services, and child care. However, since the passage of the 1996 federal welfare law, which replaced an open-ended entitlement program with a fixed block grant, the state has maintained spending for CalWORKs and related programs at the bare minimum required by federal law.¹²

CHARACTERISTICS OF ADULTS WHO MAY TIME OUT

Working adults, adults who speak a primary language other than English, and adults in two-parent families make up a disproportionate share of those who will reach the state lifetime limit in most counties that provided data (Table 2).

Employment Status

Working adults make up a majority of those likely to time out in January 2003 in most of the counties that provided data.¹³ Santa Clara County reports that 91.6 percent of adults who are expected to time out are employed full-time or part-time with average monthly earnings of about \$1,045.¹⁴ Many of these recipients are Vietnamese speakers in two-parent families, as discussed below. San Francisco County estimates that 77.0 percent of cases due to time out have a working adult and have average monthly earnings of \$1,026.¹⁵ In Alameda County, 71.3 percent of adults who are expected to time out report earned income, compared to 27.4 percent of all other adults in the Alameda County caseload. In Riverside County, 65.0 percent of adults projected to reach the time limit have earnings, as do 65.0 percent in Sacramento County, 61.0 percent in Kern County, and 58.6 percent in Los Angeles County.¹⁶ In Orange County, 48.0 percent of families that may reach the time limit during 2003 have an adult that works full-time.¹⁷

The fact that so many working adults will time out indicates that many families benefit from California's "earnings disregard" policy, which allows low-wage earners to continue to receive a monthly cash grant. For example, a family of three in a high-cost county can earn up to \$1,563 per month (40 hours of work

Table 2: Characteristics Of Adults Who May Reach The State Time Limit In January 2003

<u>County</u>	<u>Percentage Working</u>	<u>Percentage Whose Primary Language Is:</u>				<u>Percentage In Two-Parent Families</u>
		<u>An Asian Language</u>	<u>Spanish</u>	<u>English</u>	<u>Other</u>	
Alameda	71.3	52.6	1.1	36.4	10.0	53.3
Kern	61.0	*	*	*	*	*
Los Angeles	58.6	22.6	17.0	42.5	18.0	38.0
Orange	48.0	65.9	6.9	24.7	2.5	69.0
Riverside	65.0	*	*	*	*	1.5
Sacramento	65.0	25.0	*	48.0	27.0	40.0
San Francisco	77.0	70.3	1.7	24.9	3.2	45.0
Santa Clara	91.6	93.1	3.4	*	3.5	78.0

Note: Asterisk (*) denotes counties that did not provide data. Percentages in language category may not add to 100 due to rounding. Asian languages include Cambodian, Cantonese, Hmong, Laotian, Korean, Mandarin, Mien, Tagalog, and Vietnamese. San Bernardino, San Diego, San Joaquin, and Tulare Counties are not included in this table because they were not able to provide characteristics of recipients who may reach the time limit in January. For data on percentage of adults working, the Orange County estimate represents the number of cases in which an adult works full-time and may reach the time limit during 2003; the Riverside County estimate represents adults who are expected to time out between January and March 2003; and the San Francisco County estimate represents cases. For primary language data, the Orange County estimate represents adults who are expected to time out during 2003. For two-parent family data, the Riverside County estimate represents cases with an adult recipient expected to time out between January and March 2003; and the Sacramento and San Francisco County estimates represent cases.
Source: County welfare department data

per week at \$9.02 per hour) and still receive a small cash grant.¹⁸ However, since every month of cash assistance counts toward the 60-month lifetime limit, many families that rely on cash aid to supplement their earnings will eventually time off aid and lose a key source of financial support.

Moreover, with so many working adults reaching the lifetime limit, the percentage of families meeting state and federal work participation requirements in these counties is likely to decline during 2003. California may have difficulty meeting federal work participation rates as a result.

Language

Adults who do not speak English as their primary language are disproportionately represented among those who will reach the time limit in all counties that provided data.¹⁹ Many, if not most, of these recipients are likely to be legal immigrants, including refugees.²⁰

In four counties, half or more of the adults who may time out in January 2003 speak an Asian language as their primary language. In Santa Clara County, Vietnamese speakers make up 89.3 percent of adults who may reach the state time limit; Cambodian speakers comprise 3.8 percent.²¹ In San Francisco County, Cantonese, Cambodian, Tagalog, and Vietnamese speakers make up 70.3 percent of adults who are expected to reach the time limit, but families that speak Cantonese, Cambodian, or Vietnamese comprise only 22.1 percent of the caseload.²² In Orange County, Vietnamese speakers make up 65.9 percent of those who are likely to time out.²³ In Alameda County, 52.6 percent of adults who are likely to

time out in January speak Cambodian, Cantonese, Laotian, Mien, Mandarin, or Vietnamese as their primary language. In contrast, only 12.1 percent of all other adult recipients in Alameda County speak one of those languages as their primary language.

In Los Angeles County, 57.5 percent of adults likely to time out in January speak a primary language other than English, and 22.6 percent of adults expected to reach the time limit speak Cambodian, Chinese, Korean, or Vietnamese. Cambodian, Chinese, Korean, and Vietnamese recipients are 8.0 percent of CalWORKs adults in Los Angeles County, indicating that these groups are overrepresented among adults who may time out in January.²⁴ In Sacramento County, 52.0 percent of adults who are likely to time out in January speak a primary language other than English, and 25.0 percent of adults who may time out speak Hmong or Vietnamese. Families in which Hmong or Vietnamese is the primary language comprise 8.6 percent of the CalWORKs caseload in Sacramento County, indicating that these groups are disproportionately represented among adults who may time out in January.

According to county officials, two factors contribute to the disproportionate number of immigrants who will time out in January. First, immigrants who have not learned English tend to work in low-wage jobs with little opportunity for advancement, and therefore receive CalWORKs cash aid to supplement their earnings. Second, to the extent that immigrants have large families, they qualify for higher cash grants. Because of the state's earnings disregard policy, larger families must increase their earnings substantially before they become ineligible for welfare, and therefore may continue to receive cash assistance for longer periods than smaller families.

Two-Parent Families

Adults in two-parent families are disproportionately represented among those who are likely to time out in January 2003 in several major counties.²⁵ In Santa Clara County, two-parent families represent 13.2 percent of the CalWORKs caseload, but adults in two-parent families make up 78.0 percent of those expected to time out. In Orange County, two-parent families comprise 14.6 percent of the caseload, but adults in two-parent families represent 69.0 percent of those projected to reach the time limit. In Alameda County, two-parent families encompass 11.8 percent of the caseload, but adults in two-parent families represent 53.3 percent of those who may time out. In San Francisco County, two-parent families comprise 13.9 percent of the caseload, but make up 45.0 percent of cases with an adult who is expected to time out. As noted above, large numbers of Southeast Asian immigrants are expected to time out in these four counties, suggesting that a large proportion of immigrant families that will reach the time limit in January 2003 in these counties are also two-parent families.

In addition, two-parent families represent 19.6 percent of the caseload in Sacramento County, but make up 40.0 percent of cases with an adult who is projected to time out. In Los Angeles County, two-parent families comprise 8.6 percent of the caseload, but adults in two-parent families make up 38.0 percent of those expected to reach the state time limit in January. In contrast, adults in two-parent families in Riverside County are less likely to reach the time limit. Two-parent families make up 5.9 percent of the caseload, but represent just 1.5 percent of cases with an adult recipient expected to time out between January and March 2003.

HOW WILL CALWORKS TIME LIMITS WORK IN CALIFORNIA?

Cash aid began to count toward the state's time limit on January 1, 1998.²⁶ Aid received prior to that date does not count. As a result, most adults who reach the lifetime limit in January 2003 will have started receiving cash aid prior to 1998.

The Impact Of Timing Out On Benefits

Adults who reach the state time limit and do not qualify for an extension will no longer be eligible for CalWORKs cash assistance, but families will continue to receive state-funded cash aid for the children's portion of the grant.²⁷ Only four other states and the District of Columbia provide grants to children after an adult's benefits are terminated due to time limits.²⁸ Four additional states have no time limits or apply time limits only to families that do not comply with program requirements.²⁹ For a family of three with one adult and no earnings in a high-cost county, the monthly grant would drop from \$679 to \$548. For family of four in a high-cost county with two aided parents and monthly earnings of \$1,170 (40 hours of work per week at \$6.75 per hour), the monthly grant would drop from \$337 to \$76 if both adults time out at the same time.³⁰

Some families with working adults, however, will lose the entire grant when the adults reach the time limit. For example, a family of four with two aided parents in a high-cost county would stop receiving cash assistance if both adults time out and the family's monthly earnings exceed \$1,301 (40 hours of work per week at \$7.51 per hour). In the absence of time limits, a family of four with monthly earnings of \$1,301 would qualify for a cash grant of \$271 per month. For this reason, Orange County estimates that 25.0 percent of cases with an adult who may time out in 2003 will lose the entire grant.³¹

Adults who time out will remain eligible for food stamps, Medi-Cal, and 24 months or more of subsidized child care.³² Food stamp benefits will increase for families whose monthly income declines as a result of reduced cash assistance, somewhat offsetting the impact of the grant reduction.

Counties also have the option to provide welfare-to-work services to adults who time out. Counties may offer job retention services for up to 12 months to former recipients who are working.³³ Counties may also provide additional welfare-to-work services, including case management, to all adults who reach the state time limit, whether or not they are working.³⁴ However, adults who receive additional welfare-to-work services are required to be employed or to participate in community service.³⁵

Exemptions And Exceptions To The State Time Limit

State law provides a number of exemptions and exceptions to the state time limit. Exemptions allow recipients to receive aid that does not count toward the state time limit, while exceptions extend recipients' time on aid after they reach 60 months of cash assistance. It is unclear how many adults will qualify for exemptions and exceptions. However, a Sacramento County report could be illustrative. The county determined that one out of eight cases with an unemployed adult who may time out between January and March 2003 could potentially meet the criteria for an exemption or exception.³⁶

Exemptions

Exemptions allow recipients to receive aid that does not count toward the state time limit. Months are exempt from the CalWORKs lifetime limit if the recipient:

- Is at least 60 years old.
- Has a disability that is verified and will last at least 30 days.
- Is caring for an ill or incapacitated person in his or her home.³⁷
- Is caring for a child with special needs.³⁸
- Is sanctioned for not meeting welfare-to-work requirements.³⁹
- Is a victim of domestic abuse and the county has waived the 60-month time limit.
- Has had child support paid to the county on behalf of his or her children.⁴⁰

Recipients may receive exemptions for current or past conditions. For example, a recipient who has a verified disability will be granted an exemption, and his or her time clock will be stopped for the duration of the disability. Likewise, someone who was disabled in the past, but did not claim an exemption, may request the exemption after the fact. After the disability is verified, the county will restore months that were counted toward the time limit while the individual was disabled.

The child support exemption may affect a large number of recipients. DSS regulations require counties to use child support collected on behalf of recipients since January 1998 to “refund” an equivalent amount of cash assistance.⁴¹ For example, if a mother has received a \$500 monthly cash grant since January 1998 and the non-custodial father has paid a total of \$5,000 in child support payments to the county since 1998, those payments will exempt 10 months of cash aid that were counted toward the state time limit.⁴² This “refund” will occur even if the child support payments are sporadic or are less than the monthly cash aid payment.⁴³ Potentially thousands of recipients who are approaching the 60-month limit in 2003 will have months exempted as a result of this provision, allowing them to delay reaching the time limit.

Exceptions

In contrast to exemptions, which allow adult recipients to stop their five-year clocks, exceptions permit recipients to continue receiving cash assistance after they have reached the five-year time limit. However, adults may receive cash assistance beyond 60 months only if all parents, aided stepparents, and/or caretaker relatives in the household of the aided children meet one of the exception criteria. For example, if both adults in a two-parent household reach the time limit in January 2003, cash aid to those individuals could continue only if both adults meet the criteria for an exception. In contrast, exemptions stop individuals’ clocks whether or not any other adults in the household also qualify for an exemption.

Most of the exception and exemption criteria are the same.⁴⁴ For example, individuals may qualify for an exception if they are at least 60 years old or have a disability. However, there are two primary differences. Receiving child support, one of the exemption criteria, does not allow individuals to qualify for an exception. Furthermore, state law provides an exception for recipients who have cooperated with welfare-to-work requirements, but who are “incapable of maintaining employment or participating in welfare-to-work activities.”⁴⁵ As interpreted by DSS regulations, this provision appears to apply to individuals who have one or more documented impairments, such as a disability, substance abuse, or mental health issues.⁴⁶ For example, recipients would be considered incapable of work if they have an impairment that severely restricts their ability to work or participate in activities for 20 or more hours per week.⁴⁷ This exception does not appear to apply to individuals *without* impairments who are unable to maintain employment due to a scarcity of jobs, even if they have fully cooperated with welfare-to-work requirements. The regulation appears to leave counties discretion to determine what constitutes an impairment and whether recipients are able to meet CalWORKs requirements.

Notification Of Remaining Time On Aid

Counties are required to notify recipients when they have six months of aid remaining. DSS regulations allow counties to send either a “notice of action” (NOA) or an “informing notice.”⁴⁸ The NOA gives recipients formal appeal rights and specifies how many months have been exempted from the state time limit, including months exempted for child support payments.⁴⁹ An informing notice simply notes that the recipient has reached 54 months on aid and has six months remaining. Counties that send an informing notice are required to send a NOA when recipients have between two and six months of aid remaining. For example, counties were required to send an informing notice or NOA during July 2002 to recipients who will time out in January 2003. Those that sent an informing notice were required to provide recipients with a NOA by the end of October 2002.⁵⁰

Counties must also send recipients who have six months of aid remaining a form developed by the DSS that describes exemptions and exceptions.⁵¹ However, the form, which counties have been sending to recipients since July 2002, omits three details. It does not include the exemption for individuals who are caring for children with special needs, does not explain how to apply for an exemption or exception, and does not clarify that recipients may request an exemption for prior months of aid.⁵² The DSS has addressed two of these issues in a revised version of the form released in December 2002.⁵³

HOW ARE COUNTIES PREPARING FOR TIME LIMITS?

While the state provides guidance on many matters, counties have had to make a number of decisions related to the implementation of the state time limit.⁵⁴

Notification

Of seven counties surveyed in late October 2002, San Francisco, San Joaquin, and Santa Clara Counties sent NOAs during July 2002 to recipients who will time out in January 2003, while Los Angeles, Orange, Sacramento, and San Diego Counties sent informing notices.⁵⁵

Counties have had difficulty providing timely and complete information regarding time on aid to recipients who have received child support. For example, none of the three counties that sent NOAs adjusted recipients' months on aid to reflect child support payments, since the state did not issue instructions on how to do so until October 2002.⁵⁶ As a result, these notices may have underestimated recipients' remaining months of eligibility. By late November, none of these counties had sent follow-up notices reflecting the child support adjustment.⁵⁷ In fact, one county indicated that it might not be able to send updated notices to recipients until as late as December 31.

The four counties that sent informing notices were required to send NOAs by the end of October. Sacramento and San Diego Counties sent timely NOAs that did not include the child support adjustment, as permitted by the state.⁵⁸ Los Angeles and Orange Counties planned to send all of the NOAs after the deadline, in order to reflect the child support adjustment for those who qualify for that exemption.⁵⁹

In addition to sending required notices, counties have used other methods to inform recipients about time limits, exemptions, and exceptions. Many counties have met with recipients to explain the consequences of timing out, explore options for increasing their earnings, and review post-time limit services. For example, Los Angeles County has instructed caseworkers to contact recipients six months before they will time out to evaluate employment barriers that may qualify for an exemption. Some counties also have sponsored informational workshops for adults who may time out and have conducted home visits. These outreach efforts may decrease the number of adults who reach the time limit in January 2003 by increasing the number of recipients who leave cash aid before they time out as well as those who are granted exemptions.

Child Support Payments

Timely calculation of exemptions due to child support payments has been impeded mainly by two factors. First, the DSS did not issue instructions to counties on how to count and apply child support payments until October 1, 2002. The state and counties began to discuss implementation of the child support exemption in 1999, but negotiations did not begin "in earnest" until March 2002, according to one county official.

Second, many counties surveyed for this report were slow to obtain child support data and to develop systems to implement the child support exemption. Several counties did not obtain appropriate child

support data until September 2002 or later. In addition, several counties struggled to develop an automated system to calculate months exempted due to child support payments.⁶⁰ Some county officials indicated that calculations would have to be performed manually.

Despite these problems, two counties have made significant progress. San Bernardino County completed the child support exemption process by the end of October for recipients who may time out in January 2003. Los Angeles County obtained child support data and implemented a fully automated process by the end of November.

Procedures To Assess Recipients' Inability To Maintain Employment

State law requires counties to waive the 60-month time limit for recipients who have cooperated with CalWORKs regulations but have not been able to maintain employment or participate in welfare-to-work activities. The DSS issued interim regulations interpreting this provision, and counties have been developing their own procedures to implement state regulations. Six counties contacted for this report (Alameda, Los Angeles, Orange, San Diego, San Francisco, and Tulare Counties) had developed procedures by late November 2002. In contrast, Kern, Riverside, Sacramento, San Bernardino, San Joaquin, and Santa Clara Counties had not issued procedures by the end of November.⁶¹

Post-Time Limit Welfare-To-Work Services

Counties have the option to provide welfare-to-work services to adults who time out.⁶² Of the counties contacted for this report, six will provide some level of services and six will not provide any services.⁶³ Los Angeles County plans to offer extensive post-time limit services, including paid work experience, job skills training, and mental health and substance abuse counseling, to all adults who time out. The county will fund the services from January to June 2003 using \$15.1 million in performance incentive funds.⁶⁴ Alameda, Riverside, Sacramento, San Francisco, and Santa Clara Counties will provide job retention services to former recipients who are employed after they time out. Sacramento County also plans to provide services to a sample of recipients who are not working after they reach the time limit. Kern, Orange, San Bernardino, San Diego, San Joaquin, and Tulare Counties have no plans to offer post-time limit services.⁶⁵

HOW HAVE FAMILIES FARED IN OTHER STATES AFTER TIME LIMITS?

Other states' experience with time limits suggests how California families may fare once adults begin to time out in January 2003. Unfortunately, rigorous studies of time limits have focused on states with limits that are shorter than 60 months and that discontinue cash assistance to the entire family when adults reach the time limit, rather than continuing cash aid to children, as California will do. These studies may be suggestive of post-time limit outcomes in California, although the consequences may be less acute in California than in states where the family loses the entire cash grant.

In several states, adults who have timed out are more likely to be older, have three or more children, live in public or subsidized housing, be African American, and have long histories of prior welfare receipt, compared with those who left welfare before reaching a time limit.⁶⁶ However, "families that are cut off at time limits are not necessarily the most disadvantaged."⁶⁷ Many states grant exemptions and extensions that allow recipients with significant barriers to employment to avoid reaching the time limit, and earnings disregard policies in some states allow recipients without serious barriers to continue receiving cash assistance while working until they reach their time limit.

Studies that have used before-and-after comparisons to assess how recipients' circumstances changed after they reached the time limit report three general findings.⁶⁸ First, the employment rates of former recipients did not increase substantially after they timed off aid. Employment rates increased modestly in two states, North Carolina and Virginia, and increased very little or declined in four other states.⁶⁹ However, because former recipients' earnings increased in several states, the studies suggest that those who were working may have increased their work hours after timing off welfare. Second, a greater proportion of former recipients in most states indicated that "they were worse off after leaving assistance."⁷⁰ Third, hardships were more common after recipients reached the time limit. For example, in North Carolina, 24 percent of former recipients reported that they "sometimes or often did not have enough to eat" in the six months after they timed out, but "only 8 percent reported that they had experienced this hardship in their last six months on welfare."⁷¹ Despite increased hardship and lower incomes, the studies provide no evidence that children were doing worse after the family reached the time limit. On the whole, these findings suggest that California families may face increased hardships after adults reach the state time limit.

POLICY RECOMMENDATIONS

The findings presented in this *Update* suggest several policy recommendations:

- **Congress should increase TANF funding and policy flexibility so that states and counties can better meet the needs of CalWORKs recipients.**

County welfare programs are underfunded, and providing additional services to recipients before they reach time limits will be costly. Budget pressures will make it difficult for the state to increase annual CalWORKs spending beyond the federally required minimum of \$2.7 billion. Congress should increase TANF block grant funding so that states and counties can fully fund welfare-to-work services in order to help recipients move up and off welfare before they reach time limits.⁷²

Congress should also provide states with increased policy flexibility. For example, states should be allowed to exempt working families from federal time limits and use federal funds to support those families if adult recipients fulfill federal work requirements or if recipients reside in areas with high unemployment. In addition, Congress should expand the definition of work activities to include substance abuse treatment, adult basic education, and English proficiency classes.

- **The state Legislature should consider "stopping the clock" for recipients who are meeting work participation requirements or who live in counties with high unemployment rates.**

Many cash grant recipients are meeting state and federal work participation requirements, but they continue to be subject to the 60-month state time limit. The state should stop the clock for recipients who are fulfilling the state's work participation requirements, but who earn too little to adequately provide for their families. The state should also suspend the 60-month limit when the state or county has an insufficient number of jobs.

- **The state Legislature should require all counties to submit detailed data on adults who have timed out.**

Data collected should include demographic characteristics, employment status, earnings, the number of one- and two-parent families affected, and the number of families that lose the entire cash grant due to the adult's earnings being too high. Uniform data collection would help policymakers evaluate the

impact of time limits and compare policy outcomes across counties.

- **The DSS should provide timely and accurate information to counties.**

The DSS is responsible for developing regulations interpreting state welfare law. However, the department has not issued key regulations regarding time limits in a timely manner, which has made it difficult for counties to develop their own procedures. Moreover, a DSS form that explains exemptions and exceptions contains three omissions. The DSS addressed two of these issues in a revised version of the form released in December 2002.

- **Counties should provide recipients with timely and complete information about time limits, exemptions, and exceptions.**

Several counties have not been able to provide recipients with timely and complete information regarding their remaining time on aid, primarily due to the difficulty of determining exempt months in cases where child support has been collected. County welfare agencies need to resolve data transfer and automation issues in order to provide complete and timely notices.

Moreover, counties are using a variety of methods, including holding informational workshops, conducting home visits, and working with community-based organizations, to raise awareness of time limits and assess whether recipients may qualify for exemptions or exceptions. These efforts should continue, and counties that are relying primarily on formal notices should consider adopting multiple methods of notification. In addition, since children will continue to receive cash assistance in most cases, counties should make every effort to stay in contact with adults who time out in order to determine if they might qualify for an exception to reinstate their cash aid.

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ENDNOTES

¹ The federal welfare reform law prohibits states from using federal TANF funds to provide cash aid to families with an adult recipient for more than 60 cumulative months. States are allowed to exempt up to 20 percent of their caseload from the federal time limit based on hardship or if a family includes a domestic violence victim. In California, cash assistance began to count toward the federal five-year time limit on December 1, 1996, 13 months before cash aid began to count toward the state lifetime limit on January 1, 1998. California has used state maintenance of effort (MOE) funds to support one-parent families that have reached the federal time limit since December 1, 2001. Two-parent families did not reach the federal time limit because the state moved the two-parent caseload into a separate program funded with state MOE funds in October 1999, due to concerns that California might not meet the higher federal two-parent work participation rate requirement and face federal penalties. Both one- and two-parent families are subject to the state five-year time limit.

² These estimates are based on a projection of cases with adults that had been on aid between 47 and 52 months from January 1996 to September 2001. The DSS will release a new estimate of the number of adults who will time out when the Governor's proposed 2003-04 Budget is released in January. The DSS estimate assumes that single-parent families will leave aid at a rate of 2.5 percent per month and that two-parent families will leave at a rate of 2.06 percent per month. It also assumes that 24 percent of adults will qualify for an exemption or an exception as provided in state law to extend their time on aid. Exemptions and exceptions are discussed below.

³ Department of Social Services, *Local Assistance Estimates May 2002 Revise of the 2002-03 Budget*, pp. 62-63. The DSS assumes that child care costs will decline because some adults who time out will not meet state requirements to receive subsidized child care. The DSS assumes that employment services costs will decline because many counties will not provide post-time limit services to adults who time out, especially if they are not working, and because some former recipients will not use the services that counties do provide.

⁴ Data were collected during September and October 2002 from 12 counties constituting 78.6 percent of the state's caseload in June 2002: Alameda, Kern, Los Angeles, Orange, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, San Joaquin, Santa Clara, and Tulare Counties. These counties were selected primarily based on the size of their caseload (all of the counties but San Francisco County had at least 10,000 families in their caseloads in June 2002). All of these counties estimated the number of cases or recipients who would reach the state lifetime limit in January 2003. Six provided estimates for February through June 2003. The estimates were made between March and October 2002. Fresno County was contacted but did not provide data.

⁵ The estimate of 46,000 assumes that adult recipients in the state's other 46 counties will time out in January 2003 at the same rate as in the 12 counties that provided data (13.9 percent). In the other 46 counties, 72,209 adults received cash assistance in June 2002, equal to 21.7 percent of all adults in the statewide caseload. In these 46 counties, 70,085 adults (97.1 percent) would have to time out in January for the statewide total to reach the DSS estimate of 106,258.

⁶ All six urban counties in the state provided data. These counties had 55.4 percent of the state caseload in June 2002, but represent 70.5 percent of the caseload among the 12 counties that provided data.

⁷ None of the state's 25 rural counties *without* a major population center were contacted for this study. These counties constituted 3.9 percent of the state's caseload in June 2002.

⁸ Moreover, county projections generally may overestimate the number of adults who will reach the time limit. Most counties indicated that they did not adjust their estimates to account for recipients who will qualify for additional time on aid. This further suggests that the number of adults who reach the state time limit in January could be less than 46,000.

⁹ Estimates for February through June 2003 were obtained from Los Angeles County (12,000); Orange County (1,315); Sacramento County (2,715); San Diego County (1,354); San Francisco County (389); and Tulare County (745). Estimates for Sacramento and Tulare Counties represent cases, not persons. These six counties had 55.9 percent of the state caseload in June 2002.

¹⁰ The Orange County estimate is for adults who are expected to time out in January 2003; the Riverside County estimate is for cases with adults who are expected to time out between January and March 2003. See below for further discussion of the characteristics of adults who are likely to reach the state time limit.

¹¹ On the one hand, a greater number of recipients may leave aid before they reach the time limit than the DSS assumed. If this were to occur, the state would realize higher savings than the Governor anticipated in May 2002 because families would stop receiving the entire cash grant, rather than only the adult's portion of the grant. On the other hand, a larger number of recipients than the state assumed may qualify for exemptions to stop their welfare clock or exceptions to retain their full grant beyond 60 months. In this case, state costs would be higher than anticipated. There are no data available to indicate whether the savings associated with adults leaving aid before they reach the time limit would be greater or less than the costs associated with recipients who qualify for exemptions and exceptions.

¹² CalWORKs and related programs are funded with an annual \$3.7 billion federal TANF block grant and \$2.7 billion in state maintenance of effort funds.

¹³ Eight counties, representing 61.2 percent of the state caseload, provided employment data.

¹⁴ The Santa Clara County data reported in this section are based on an assessment of 343 adults, or 25.9 percent of the 1,322 adult recipients expected to reach the state time limit in January 2003.

¹⁵ Sacramento, San Francisco, and Santa Clara Counties were the only counties to report average monthly earnings. In Sacramento County, adults expected to time out in January 2003 have average monthly earnings of \$950.

¹⁶ The Riverside County estimate represents adults who are expected to time out between January and March 2003. The Kern County data reported in this section are based on a review of 100 cases in which an adult is expected to time out in January 2003.

¹⁷ The Orange County data do not indicate how many adult recipients work part-time.

¹⁸ "High-cost counties" are those with high housing costs, as defined in Welfare and Institutions Code, Section 11452.018.

¹⁹ Six counties, representing 54.0 percent of the state caseload, provided data on recipients' primary language.

²⁰ County data do not indicate how many recipients whose primary language is other than English are also immigrants or refugees.

²¹ In addition, 74.3 percent of adults who are likely to time out in Santa Clara County have difficulty speaking English, and 67.3 percent have difficulty reading English.

²² Primary language data for the San Francisco County caseload are from April 2001 and do not indicate how many families speak Tagalog as their primary language. San Francisco County data indicate that the percentage of non-English speakers who will time out is expected to decline during 2003. Non-English speakers are estimated to make up 41.0 percent of those who will time out in June 2003, and 35.0 percent of those who may reach the time limit in December 2003.

²³ The Orange County estimate is for adults who are expected to time out during 2003.

²⁴ Los Angeles County provided ethnicity, but not primary language, data for the overall county caseload.

²⁵ Seven counties, representing 57.9 percent of the state caseload, provided data on family composition.

²⁶ Cash aid started to count toward the state time limit on January 1, 1998, even if recipients had not already signed their welfare-to-work plan with the county welfare agency. After signing a welfare-to-work plan, recipients have 18 to 24 months to engage in training, education, and other pre-employment activities.

²⁷ For the purpose of calculating the grant, California's policy excludes a parent or parents from the family (i.e., does not consider their needs), but continues to count their earned income. However, nonparent caretaker relatives and stepparents who time out are treated differently under DSS regulations. For example, neither the income nor the needs of nonparent caretaker relatives who reach the time limit are considered when calculating a family's cash grant (Department of Social Services, *CDSS Manual of Policy and Procedures*, Section 44-133.8, downloaded from http://www.dss.cahwnet.gov/ord/OnlineCDSS_240.htm on December 3, 2002). Families that include an adult who has timed out will be aided with state maintenance of effort funds because federal TANF funding cannot be used to aid families after an adult has reached the federal time limit, unless the adult qualifies for a hardship exception as determined by the state. In addition, California law gives counties the option to provide vouchers rather than cash grants to families that receive aid beyond the 60-month state time limit (Welfare and Institutions Code, Section 11450.13). Citing cost and administrative complexity, officials in 11 of 13 counties contacted for this report said that they would not implement a voucher system. Kern County plans to pay landlords directly for the rent of recipients who are not working full-time. Fresno County also intends to implement a voucher system, but county officials could not be reached to clarify how the system would work.

²⁸ These states are Arizona, Indiana, Rhode Island, and Washington. Adults in Arizona are eligible for cash assistance after 36 months of ineligibility. Washington, DC and Washington State terminate the adult's portion of the cash grant only if he or she fails to comply with program requirements. Families in Colorado, Connecticut, Hawaii, and New York may be eligible for assistance and/or services after their TANF case has been closed. Dan Bloom, et al., *Welfare Time Limits: State Policies, Implementation, and Effects on Families* (Manpower Demonstration Research Corporation, 2002), pp. 106-107.

²⁹ Time limits apply only to noncompliant cases in Maryland and Oregon. Michigan and Vermont do not have state time limits. Dan Bloom, et al., *Welfare Time Limits: State Policies, Implementation, and Effects on Families* (Manpower Demonstration Research Corporation, 2002), pp. 106-107.

³⁰ Time on aid is counted separately for each adult. Two parents in the same household may reach the lifetime limit at different times depending on when each person started receiving cash assistance and whether one but not the other qualifies for exemptions. In the example cited, the monthly grant would drop from \$337 to \$207 if one adult reaches the lifetime limit but the other does not.

³¹ Likewise, San Francisco County estimates that 21.2 percent and Riverside County projects that 10.2 percent of families with an adult expected to time out in January will lose the entire grant.

³² Former CalWORKs recipients are eligible for two years of subsidized Stage 2 child care. They may continue to receive subsidized child care under Stage 3 as long as they meet income and other eligibility requirements and the Legislature appropriates sufficient funding.

³³ Department of Social Services, *All County Letter No. 02-92* (December 3, 2002), interpreting Welfare and Institutions Code Sections 11323.2(b) and 11500.

³⁴ Department of Social Services, *All County Letter No. 02-92* (December 3, 2002), interpreting Welfare and Institutions Code Section 11320.15.

³⁵ Adults who are working are required to participate in community service "to the extent it does not interfere with" their employment. Department of Social Services, *All County Letter No. 02-92* (December 3, 2002).

³⁶ Memorandum from Sacramento County Department of Human Assistance to Sacramento County Board of Supervisors (October 8, 2002), p. 5.

³⁷ For this exemption to apply, the county must determine that the caretaking responsibilities impair the individual's ability to be regularly employed or to participate in welfare-to-work activities.

³⁸ Special needs children include dependent children of the court, children at risk of placement in foster care, or children whose caregivers receive payments through the Kinship Guardianship Assistance Payment (Kin-GAP) program. The Kin-GAP program allows a relative caregiver who assumes legal guardianship of a foster child to receive a Kin-GAP grant. For this exemption to apply, the county must determine that the caretaking responsibilities exceed normal day-to-day parenting responsibilities so that they impair the individual's ability to be regularly employed or to participate in welfare-to-work activities.

³⁹ The regulation states that a month does not count toward the state lifetime limit if an individual is excluded from the family assistance unit "for reasons other than exceeding the time limit." An individual who has been sanctioned is "excluded" from the family for the purpose of calculating the cash grant. Department of Social Services, *CDSS Manual of Policy and Procedures*, Section 42-302.21(f), downloaded from http://www.dss.cahwnet.gov/ord/OnlineCDSS_240.htm on August 27, 2002.

⁴⁰ Months are also exempt from the state time limit when the recipient does not receive a cash grant; lives in a Native American area with a high unemployment rate; or participates in Cal-Learn or another teen parent program. Department of Social Services, *CDSS Manual of Policy and Procedures*, Section 42-302.21, downloaded from http://www.dss.cahwnet.gov/ord/OnlineCDSS_240.htm on August 27, 2002.

⁴¹ Department of Social Services, *All County Letter No. 02-74* (October 1, 2002).

⁴² Child support will be applied to months in which cash aid was received, starting with the earliest month of aid and moving forward, whether or not a month had previously been exempted for any other reason, such as disability or domestic abuse. If child support is applied to a month that has already been exempted for another reason, that month will not be "credited" to the recipient's eligible time on aid. In addition, counties are required to use child support payments to repay the county for any month in which a recipient has received a cash grant that exceeds the amount for which he or she is eligible. As a result, the amount of child support available to "refund" cash aid will be less than the total child support paid since January 1998 for families that have received overpayments. Department of Social Services, *All County Letter No. 02-74* (October 1, 2002).

⁴³ Moreover, time will be added back to the clocks of all mandatory aided adults, including parents and caretaker relatives, who were living in the household during each month for which cash assistance is "refunded" due to child support payments.

⁴⁴ Exceptions are listed in Department of Social Services, *CDSS Manual of Policy and Procedures*, Section 42-302.11, downloaded from http://www.dss.cahwnet.gov/ord/OnlineCDSS_240.htm on August 27, 2002.

⁴⁵ Welfare and Institutions Code, Section 11454(e)(5).

⁴⁶ Department of Social Services, *CDSS Manual of Policy and Procedures*, Section 42-302.114, downloaded from http://www.dss.cahwnet.gov/ord/OnlineCDSS_240.htm on August 27, 2002. The regulations addressing this exception were issued in draft form in May 2002 and had not been finalized as of early November 2002.

⁴⁷ Department of Social Services, *CDSS Manual of Policy and Procedures*, Section 42-302.114, downloaded from http://www.dss.cahwnet.gov/ord/OnlineCDSS_240.htm on August 27, 2002.

⁴⁸ Department of Social Services, *All County Letter No. 02-70* (September 20, 2002) and *All County Information Notice No. I-47-02* (June 28, 2002).

⁴⁹ Counties are required to list months that were exempted due to child support collection on a separate form that accompanies the NOA. However, the NOA allows counties to indicate that this information will be included in a forthcoming notice if it is not available when the NOA is sent. Department of Social Services, *All County Letter No. 02-74* (October 1, 2002).

⁵⁰ In addition, counties are required to send a NOA to recipients who reach 60 months on aid indicating whether their cash assistance will be reduced, extended, or discontinued. Department of Social Services, *All County Information Notice No. I-90-02* (December 11, 2002).

⁵¹ The form is contained in Department of Social Services, *All County Information Notice No. I-47-02* (June 28, 2002).

⁵² The separate 54-month informing notice explains that recipients may contact the county if they “are or were exempt” from the CalWORKs time limit and have not already requested the exemption. However, this notice is not sent to all recipients, since some counties send a NOA when recipients have six months of aid remaining.

⁵³ The revised form includes the exemption for individuals who are caring for children with special needs and states that recipients who “have a condition that qualifies as an exemption or extender” should contact the county. However, the form does not explain that recipients may request an exemption for past conditions. Department of Social Services, *All County Information Notice No. I-90-02* (December 11, 2002).

⁵⁴ Most of the information in this section comes from interviews with county welfare officials in the 12 counties listed in Table 1, as well as officials in Fresno County.

⁵⁵ These seven counties have 58.5 percent of the state welfare caseload. Los Angeles County sent its informing notice in August 2002.

⁵⁶ NOAs sent in July included this statement: “The months that may have been exempt due to child support collection will be included in a later notice.”

⁵⁷ DSS regulations do not clearly specify a date by which counties are required to send recipients a follow-up notice reflecting child support adjustments.

⁵⁸ San Diego County began sending follow-up NOAs reflecting child support adjustments in November and planned to send additional notices in December. Sacramento County will “renotify recipients as soon as we have the numbers available,” according to a county official.

⁵⁹ Los Angeles County was scheduled to send its NOAs on November 30, one month late. Orange County was in the process of sending its NOAs in late November.

⁶⁰ One county had nearly five years of child support information, but data for the most recent two years were not compatible with the welfare department’s computer system. In another county, the child support data “is in several different formats and not easily accessed,” according to a county official.

⁶¹ Fresno County officials did not respond to this question.

⁶² Department of Social Services, *All County Letter No. 02-92* (December 3, 2002). Counties may provide job retention services to former recipients who are working for up to 12 months and additional welfare-to-work services to all adults who time out, whether or not they are working. Adults who receive additional welfare-to-work services are required to be employed or to participate in community service.

⁶³ As of early October, Fresno County had not decided whether to offer post-time limit services.

⁶⁴ The Legislature appropriated performance incentive funds to reward counties that successfully move welfare recipients into employment and thereby reduce cash grant payments. Counties have been paid about \$1.1 billion in incentive funds, and several hundred million dollars remained unspent by the end of the 2001-02 fiscal year. The 2002-03 Budget redirected \$297.2 million in unspent performance incentives to support core CalWORKs program activities, such as grants and child care. See California Budget Project, *CalWORKs Performance Incentives: Can The Money Be Better Used?* (May 2001).

⁶⁵ “We barely have enough funding to help those who are still on the caseload,” said one county official. “If they [the state] don’t pay for it, I don’t know how we can do it,” said another.

⁶⁶ The findings summarized in this section are based on studies of eight states: Connecticut, Florida, Massachusetts, North Carolina, Ohio, South Carolina, Utah, and Virginia. Most of the studies surveyed the first cohort of adults to reach the state time limit. The findings are summarized in Dan Bloom, et al., *Welfare Time Limits: State Policies, Implementation, and Effects on Families* (Manpower Demonstration Research Corporation, 2002), pp. 78-102.

⁶⁷ LaDonna Pavetti and Dan Bloom, “State Sanctions and Time Limits,” in Rebecca M. Blank and Ron Haskins, eds., *The New World of Welfare* (Washington, DC: Brookings Institution Press, 2001), p. 260.

⁶⁸ Due to study designs, post-time limit changes cannot be attributed solely to the termination of benefits.

⁶⁹ The four other states are Connecticut, Florida, Ohio, and South Carolina.

⁷⁰ Only studies of Florida and Virginia tracked change in average income. In both states, average income was slightly lower six months after recipients timed out than during the last month on assistance. However, in Virginia, average income at the 18-month point was slightly higher than at the six-month point. Studies in other states asked respondents to compare their income or general well-being before and after timing out. Dan Bloom, et al., *Welfare Time Limits: State Policies, Implementation, and Effects on Families* (Manpower Demonstration Research Corporation, 2002), pp. 80, 96-97.

⁷¹ Dan Bloom, et al., *Welfare Time Limits: State Policies, Implementation, and Effects on Families* (Manpower Demonstration Research Corporation, 2002), p. 98.

⁷² Congress was not able to reauthorize the TANF block grant during 2002. Congress passed a continuing resolution to extend block grant funding, which expired on September 30, 2002, through March 31, 2003. Annual TANF block grant funding is \$16.5 billion, of which California receives \$3.7 billion.